

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT  
NASHVILLE, TENNESSEE**

**July 28, 2005**

**IN RE:**

**CONSIDERATION OF THE BYLAWS OF THE  
ORGANIZATION OF PJM STATES, INC.**

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**DOCKET NO.  
04-00444**

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**ORDER APPROVING TENNESSEE'S PARTICIPATION IN THE  
ORGANIZATION OF PJM STATES, APPROVING BYLAWS AND  
APPOINTING REPRESENTATIVE TO BOARD OF DIRECTORS**

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This matter came before Chairman Pat Miller, Director Deborah Taylor Tate, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA") at a regularly scheduled Authority Conference held on January 10, 2005 to consider an opportunity to join a proposed organization of PJM states, approve proposed bylaws, and appoint a representative to the board of directors.

PJM Interconnection ("PJM") is a regional transmission organization that coordinates the movement of wholesale electricity in several states. On October 1, 2004, PJM integrated American Electric Power ("AEP") into its system. Kingsport Power Company ("Kingsport") is a subsidiary of AEP and a certificated utility that provides electric power and energy to ratepayers in Tennessee.<sup>1</sup> The AEP integration thus extended the PJM service area into a part of Tennessee.

Several states within the PJM service area began forming an organization of PJM states ("PJM Organization" or "Organization"). They also drafted bylaws describing the Organization's general governance and purpose.

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<sup>1</sup> Due to the significant number of years that have passed since Kingsport's authorization, neither Kingsport nor the TRA has been able to locate a copy of the order. Later documentation reflects and confirms the authorization

Membership in the Organization would be voluntary and would be managed by the utility regulatory commissions of the member states. The major functions of the PJM Organization would be to: (1) advise PJM of the Organization's position on PJM region-wide substantive issues and wholesale market issues of general interest, (2) advise the Federal Energy Regulatory Commission ("FERC") of the Organization's position on proceedings related to the electricity market, and (3) serve as a resource for the states.

Member states would retain the ability to issue individual statements and object to, support, or otherwise comment on statements of the Organization. Additionally, any positional statement issued by the Organization to PJM, FERC or otherwise would include a list of which member states did or did not participate in the decision. Substantive documents would contain a breakdown of the individual member's loads in PJM.

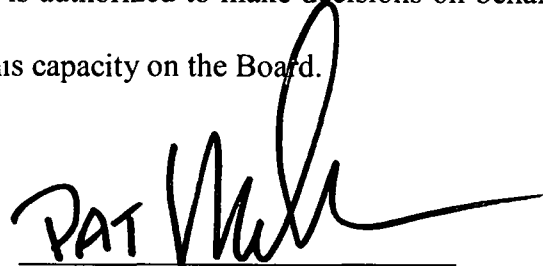
The PJM Organization would be governed by a board of directors ("Board" or "Board of Directors"). Each member state would appoint one, and only one, representative to the Board as the authorized representative of the member state's regulatory entity. A state may change its representative at any time by notifying the Secretary of the Organization.

#### **January 10, 2005 Authority Conference**

During the Authority Conference held on January 10, 2005, the Directors found that the Tennessee Regulatory Authority should participate in the proposed Organization, and they approved the proposed Bylaws of the Organization of PJM States, Inc. They also appointed Chairman Pat Miller to serve as Tennessee's representative on the Organization's Board of Directors, not in his capacity as Chairman of the TRA but because of his active role and involvement on the electricity committee of the National Association of Regulatory Utility Commissioners. The Directors further specified that the Chairman be authorized, in making decisions as a member of the PJM Organization, to make decisions on behalf of the Authority as necessary.

**IT IS THEREFORE ORDERED THAT:**

1. The Tennessee Regulatory Authority shall join and become a member of the Organization of PJM States, Inc.
2. The Tennessee Regulatory Authority approves the proposed Bylaws of the Organization of PJM States, Inc., a copy of which is attached here as Exhibit 1.
3. Chairman Pat Miller is appointed as the Tennessee representative to the Board of Directors of the Organization of PJM States, Inc. He is authorized to make decisions on behalf of the Tennessee Regulatory Authority, as necessary, in his capacity on the Board.



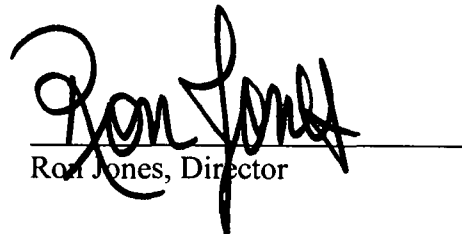
Pat Miller, Chairman



Deborah Taylor Tate, Director

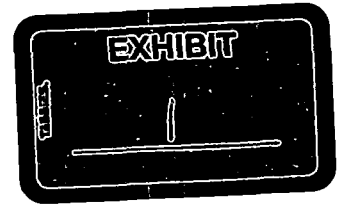


Sara Kyle, Director



Ron Jones, Director

**Organization of PJM States, Inc.  
BYLAWS**



**ARTICLE I – NAME**

The organization shall be known as the Organization of PJM States, Inc. (Organization). The Principal office of the Organization shall be at such location, either within or outside of the state of Delaware, as the Board of Directors shall from time to time establish.

**ARTICLE II – MEMBERSHIP**

1. MEMBERSHIP. Membership shall be open to all state regulatory authorities which shall include the District of Columbia (herein referred to as “Member” or “Member Regulatory Authority”) that regulate the retail electricity or distribution rates of transmission-owning members or transmission-dependent utility members of the PJM regional transmission organization.

2. FUTURE MEMBERSHIP. State regulatory authorities which are not currently within the PJM footprint, but which have jurisdictional transmission owners that have filed the requisite application to join PJM with the Federal Energy Regulatory Commission (herein referred to as “Future Member”), may participate in the Organization on a non-voting basis, subject to approval by the Board of Directors.

**ARTICLE III – ANNUAL MEETING**

The Annual Meeting of the Organization (Annual Meeting) shall be held at such time and place as may be determined by the Executive Committee. Notice of the time, place, and purpose of the meeting, shall be provided by mail or electronic means to each Member and Future Member of the Organization not less than thirty (30) days prior to the meeting. All commissioners and designated commission staff of member regulatory authorities may participate in the Annual Meeting. The business of the Annual Meeting will be conducted by vote of the Board of Directors as provided in these Bylaws.

**ARTICLE IV – BOARD OF DIRECTORS**

1. POWERS, RESPONSIBILITIES AND ACCOUNTABILITIES. The corporate business and affairs of the Organization shall be managed by the Board of Directors, except as may be otherwise provided in these Bylaws or the Organization’s articles of incorporation (Articles of Incorporation). The Board of Directors shall have the ultimate responsibility for deliberations related to PJM substantive issues and wholesale market issues of general interest on behalf of the Organization

2. COMPOSITION. Each Member Regulatory Authority as defined in Article II.1 shall annually appoint one Commissioner to the Board of Directors. This appointed Director will be the authorized representative of that Member Regulatory Authority. When any such person ceases to be the authorized representative of that Member Regulatory

Authority, he or she shall be replaced on the Board of Directors by another authorized representative from his or her Member Regulatory Authority. A Member Regulatory Authority may replace its representative on the Board of Directors at any time by notifying the Secretary of the Organization but should strive to provide 30 days notice of the change prior to the replacement. No Member Regulatory Authority shall be entitled to more than one representative on the Board of Directors.

3. RESPONSIBILITIES. The Board of Directors shall elect the officers of the Organization, appoint the members of the Nominating Committee, and determine the general policies and direction of the Organization. The Board of Directors may amend the Articles of Incorporation and Bylaws, take all other action requiring membership vote, and conduct other business as delineated in Article XI.

4. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such time and place as may be determined by the Executive Committee, except the Board of Directors shall meet via teleconference no less than four times each calendar year, in addition to the Annual Meeting. Notice of the time, place and purpose of the meeting(s) shall be provided by mail or electronic means to each Member and Future Member of the Organization not less than ten (10) days prior to the meeting. Members and Future Members, as defined in Art. II, may participate in regular meetings held by the Organization.

5. SPECIAL MEETINGS. The president or at least one-third of the Directors may call a special meeting of the Board of Directors. Notice of the time, place and purpose of the meeting(s) shall be provided by mail or electronic means to each Member and Future Member of the Organization no less than three (3) days prior to the meeting. Members and Future Members, as defined in Art. II, may participate in special meetings.

6. QUORUM. If a Director from each of a majority of the Member Regulatory Authorities is present (either in person or by authorized telephonic or electronic means), a quorum exists for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the members that are present may continue with an informational meeting or adjourn the meeting without further notice. The Directors present at a properly called meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum. A Director may allow a proxy from the same agency to participate as a substitute at a meeting of the Board of Directors by notifying the Secretary of the Organization.

7. VOTING PROCEDURES. Each Director present (either in person or by authorized telephonic or electronic means) shall be entitled to one vote. Elections shall be by ballot in contested elections and may be by voice or other means in uncontested elections. Changes in the Bylaws shall require a vote of at least two-thirds of the total membership of the Board of Directors. All other matters shall be determined by a majority of the total membership of the Board of Directors, unless otherwise provided by Delaware law or these bylaws.

8. POSITION ON POLICY ISSUES. The Board of Directors will give direction to formation of issue statements, which will then be referred to Member Regulatory Authorities. A position approved by a majority of the Board of Directors may be issued as the Organization's position with identification of the participating and non-participating Members. Substantive documents shall contain a breakdown of the individual Members' load in PJM. Individual Members retain all rights to object, support, or otherwise comment on, issue statements of the Organization, including the attachment of a minority report or dissenting opinion, provided it is submitted in a timely manner. The Board of Directors may authorize intervention in proceedings before federal bodies and in related judicial proceedings to express the Organization's positions.

## **ARTICLE V - OFFICERS**

1. NUMBER AND TITLE. The Officers of the Organization shall be the President, Vice President, Secretary, Treasurer, and other officers as may be necessary for the purpose of complying with the non-profit organizational laws of the state of incorporation.

2. ELECTION, TERM, VACANCIES. The President, Vice President, Secretary, and Treasurer shall be elected by the Board for a one year term, or until their successors are elected. The president shall not hold the position for two consecutive years. Officers shall take office on the first day of January. A meeting to elect the officers will take place within 60 days prior to the first day of January (hereinafter referred to as "Election Meeting"). In the case of a permanent vacancy in the office of the president, the vice president will succeed until the next scheduled election. The Board of Directors may hold a special election to fill an officer vacancy.

3. DUTIES. The duties of the officers shall be as follows:

(a) The PRESIDENT shall be the principal officer of the Organization and shall preside at the Annual Meeting and all meetings of the Board of Directors and the Executive Committee, shall be responsible for seeing that the lines of direction given by the Board of Directors and the Executive Committee are carried into effect, and shall have such other powers and perform such other duties as may be assigned by the Board of Directors.

(b) The VICE PRESIDENT shall preside at the meetings of the Board of Directors and Executive Committee in the temporary absence or disability of the President and shall have such other powers and perform such other duties as may be assigned by the Board of Directors.

(c) The SECRETARY shall be responsible for keeping a roll of the Members and seeing that notices of all meetings of the Board of Directors and the Executive Committee are issued and shall see that minutes of such meetings are kept. The Secretary shall be responsible for the custody of corporate books, records and files, shall exercise the

powers and perform such other duties usually incident to the office of secretary, and shall exercise such other powers and perform such other duties as may be assigned by the president or Board of Directors.

(d) The TREASURER shall be responsible for monitoring the receipt and custody of all monies of the Organization and for monitoring the disbursement thereof as authorized, for assuring that accurate accounts of monies received and disbursed are kept, for executing contracts or other instruments authorized by the Board of Directors, and for overseeing the preparation and issuance of financial statements and reports. The Treasurer shall give a report of the organization's finances at the Annual Meeting. The Treasurer shall be an *ex officio* member of the finance committee, if such a committee shall be established by the Board of Directors, shall exercise the powers and perform such other duties usually incident to the office of treasurer, and shall perform such other duties as may be assigned by the president or Board of Directors.

4. REMOVAL. An officer of the Organization may be removed with or without cause by written vote of at least two-thirds of the total membership of the Board of Directors.

#### **ARTICLE VI – COMMITTEES**

1. ESTABLISHED. The Board of Directors may establish committees and work-groups as it deems necessary and provide for the governance of the Organization.

2. COMPOSITION AND APPOINTMENT. The president shall appoint members of the committees, with Executive Committee approval. Unless otherwise directed by the Board of Directors, a committee may elect its chair. Members and Future Members may participate in work of committees and work-groups that relate to matters within their purview.

#### **ARTICLE VII – EXECUTIVE COMMITTEE**

EXECUTIVE COMMITTEE. The Executive Committee shall consist of the officers of the Organization. The Executive Committee shall be elected by the Board of Directors at each Election Meeting. The Executive Committee shall have, and may exercise, the powers of the Board of Directors in the interim between Board of Directors meetings, except that the Executive Committee shall not have the power to adopt or amend the budget, or to take any action which is contrary to or substantially departs from the direction established by the Board of Directors, or which represents a major change in the affairs, business or policy of the Organization. The Executive Committee shall meet as needed in person or by telephone or electronic means. Such meetings shall be called by the president as chair of the Executive Committee. Notice, quorum and filling of vacancies shall be consistent with, and adhere to, Articles IV, V, VII, XII, and XIII of these Bylaws. In addition to those serving on the Executive Committee, Members and Future Members, as defined in Art. II, may participate in Executive Committee meetings.

## **ARTICLE VIII – NOMINATING COMMITTEE**

1. **COMPOSITION.** The nominating committee shall consist of a Director representing each of the regional interest committees.
2. **METHOD OF ELECTION, TERM, VACANCIES.** Members of the nominating committee shall be elected by the Board of Directors for a term of one year, or until their successors are elected. Terms of office shall begin at the close of the Election Meeting and shall expire at the close of the following Election Meeting described in Article V.2. The Executive Committee shall have the power to fill vacancies in the nominating committee.
3. **RESPONSIBILITIES.** The nominating committee shall present to the Board of Directors a single slate of nominations for elected officers of the Organization. Any Director may make additional nominations. The nominating committee should strive to propose a slate of candidates that reflects the geographical diversity of the organization. In the event that the nominating committee cannot agree on a single slate of nominations, the Board of Directors will vote for the elected officers of the Organization.

## **ARTICLE IX - REGIONAL INTEREST COMMITTEES**

Member Regulatory Authorities will be divided into regional interest committees generally reflecting the regional organization of PJM. A Member Regulatory Authority may choose to be active in one or more regions covering the geographic locations of jurisdictional transmission facilities within its state, district or territory. Subject to change or further geographic designation by the Board of Directors, the regions are designated as Mid-Atlantic, West, and South. In accordance with the provisions of Article IV.1, the regional interest committee may address any issue that primarily affects its region. Each regional interest committee shall determine its own organizational structure, meeting schedule, scope of work, and deliberative process. Each regional interest committee will elect an *ex officio* non-voting member on the PJM Members Committee.

## **ARTICLE X – STATES NOT BOUND**

No vote of, or resolution passed by, the Board of Directors has any binding effect upon any state regulatory authority, or any individual member thereof, in the exercise of the authority's powers, neither shall any such vote of, or resolution passed by the Board of Directors be deemed an official action of, by or for any individual Member Regulatory Authority.



## **ARTICLE XI – FISCAL RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

1. **FISCAL YEAR.** The Board of Directors shall establish the fiscal year of the Organization.
2. **FUNDING.** Any funds shall be accepted or collected only as authorized by the Board of Directors.
3. **DEPOSITORIES.** All funds of the Organization shall be deposited to the credit of the Organization in fully insured accounts.
4. **APPROVED SIGNATURES.** Approvals for signatures necessary on contracts, checks, and orders for the payment, receipt, or deposit of money, and access to securities of the Organization shall be provided by resolution of the Executive Committee.
5. **BONDING.** All persons having access to or major responsibility for the handling of monies and securities of the Organization shall be bonded as provided by resolution of the Board of Directors.
6. **INDEMNIFICATION AND INSURANCE.** Indemnification and Directors and Officers insurance shall be provided by resolution of the Board of Directors in accordance with the Articles of Incorporation and the laws of the incorporating state.
7. **BUDGET.** The annual budget of estimated income and expenditures shall be approved by the Board of Directors. No expenses shall be incurred in excess of approved budget levels without both prior approval of the Executive Committee and notice to the Board of Directors.
8. **CONTRACT AND DEBTS.** Contracts may be entered into or debts incurred only as directed by resolution of the Executive Committee after general authorization from the Board of Directors.
9. **PROPERTY.** Title to all property shall be held in the name of the Organization, unless otherwise approved by the Board of Directors.
10. **INVESTMENT.** The treasurer shall invest the funds of the Organization in accordance with the direction of the Board of Directors or any Committee of the Board appointed for such purpose.
11. **AUDITS.** A certified public accountant or other independent public accountant shall be retained by the Executive Committee to make an annual examination of the financial accounts of the organization. A report of this examination shall be submitted to the Board of Directors.
12. **EMPLOYMENT.** Subject to the approval of the Board, the Organization may retain services necessary for it to carry out its responsibilities.

## **ARTICLE XII – PARLIAMENTARY AUTHORITY**

All meetings shall be conducted in a manner that will allow fullest possible participation by the members. In the event of a dispute, Robert's Rule of Order, newly revised, shall be the parliamentary authority governing the meetings of the Board of Directors, the Executive Committee, and all committees, subject to the laws of the incorporating state, the Articles of Incorporation, these Bylaws, and any special rules of order adopted by the Organization.

## **ARTICLE XIII – AMENDMENTS**

These Bylaws may be amended by at least two-thirds of the total membership of the Board of Directors at the Annual Meeting and any meeting of the Board of Directors, provided that the proposed amendment must have been included in the notice of the meeting.